

AYN RAND'S OBJECTIVIST ETHICS AS THE FOUNDATION OF BUSINESS ETHICS*

The purpose of this paper is to present the essence of Ayn Rand's theory of rational egoism and to indicate how it is the only ethical theory that can provide a foundation for ethics in business. Justice, however, cannot be done to the breadth and depth of Rand's theory in so short a space as this article; consequently, I have provided the reader with a large number of references for further study. At minimum, Ayn Rand's theory, because of its originality and challenge to establishment theories, should be included in all business ethics courses and discussions of business ethics.

Two Errors Committed in Discussions of Business Ethics

Two errors are commonly committed in today's courses on, and discussions of, business ethics. One error is the failure to include ethical theory at all. This occurs in the typical case course in which an ethical problem is somehow identified, analyzed, and solved by a consensus of the discussants; this, in fact, although seldom acknowledged in practice, is an expression of the pragmatist theory of ethics, which holds that there are no universally valid ethical principles, only situational guidelines that may change as a new situation arises. (For a critique of the business case method of teaching, as an expression of pragmatist relativism, see Kirkpatrick 1987.)

The other error committed is the discussion of ethical issues in the context of only one ethical theory, and ignoring other viewpoints as if they do not exist. Discussions of a business's social responsibility is the most common form of this error. Social responsibility, however, is rooted in the ethical theory of altruism, the doctrine that one should always value others above oneself; this is, of course, the Judeo-Christian ethics of self-denial and self-sacrifice. Various forms of it are popular today, ranging from the strict duty-oriented ethics of Immanuel Kant to the egalitarianism of John Rawls to the traditional defense of capitalism based on Jeremy Bentham's "greatest happiness" principle known as utilitarianism. (For a discussion of how these three ethical theories, along with Rand's, can be used to form the core of business ethics courses and discussions, see Kirkpatrick 1989.)

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The doctrine of social responsibility, however, has been criticized. In his famous essay, Friedman (1970) took the social responsibility dilemma--how can a selfishly motivated, profit-seeking business be socially responsible? --by its horns and argued that the "social responsibility" of business is to make as large a profit as possible. And Levitt (1958) charged that the doctrine could lead to nothing less than fascism or "a new feudalism!" A spirit of openness and a willingness to consider all viewpoints, I think, should call for the inclusion of Ayn Rand's theory of egoism. Her theory cuts off at its roots the often-heard cynical remark about ethics in business: "Business ethics--isn't that a contradiction in terms?" Ayn Rand's answer to that question, in substance if not also in style, might be: "It damned well is not!"

The Legitimacy of Ayn Rand as a Philosopher

Ayn Rand is the author of such best-selling novels as The Fountainhead and Atlas Shrugged; it was in these novels that she first presented her theory of egoism. Throughout the 1960's and '70's, she wrote many nonfiction articles elucidating her philosophy, which she named "Objectivism." Her most important work on ethics is The Virtue of Selfishness.

To be sure, Ayn Rand's ideas today are controversial, and the philosophy profession has been slow to recognize their value. Nevertheless, this situation is changing. For example, a scholarly organization called "The Ayn Rand Society" now exists within, and has been granted full recognition by, the American Philosophical Association. Her ideas are starting to appear in Introduction to Philosophy textbooks; e.g., see Roth and Sontag (1988, pp. 314-322). "Man's Rights," one of her essays in The Virtue of Selfishness (Rand 1964d), has been used in a moral reasoning core course in the Harvard undergraduate school. And the California-based Ayn Rand Institute, a nonprofit educational "Center for the Advancement of Objectivism," has been promoting Rand's ideas among students and professionals since 1985.

The primary reason, however, that Ayn Rand should be taken seriously as a philosopher is the breadth and depth of her system; her philosophy is a fully integrated system--with answers, like those of all great philosophers, to all of the traditional questions of philosophy, from metaphysics right through to esthetics. (Her prose, however, unlike that of most great philosophers, is eminently readable.) In ethics, Rand does not begin, as many moral philosophers in the past have begun, by asking what values man

should pursue. She asks: "Why does man need values at all?" The result is an objective proof of the necessity of ethics. The essentials of her highly original theory are: (1) man's life is the standard of moral value, and (2) each individual has the moral right to his own life and, therefore, to his liberty and property. This last provides the moral foundation--on egoistic grounds--for capitalism and profit-seeking business activity; specifically, it is a defense of laissez-faire capitalism as the only moral social system because it allows each man to selfishly seek his own happiness, neither sacrificing himself to others, nor others to himself.

The Objectivist Ethics

The traditional goal of a valid scientific ethics is the establishment of objective, universal value judgments--that is, normative or evaluative propositions that are true and apply to all human beings. These evaluative statements are validated by reference to a standard that serves as the supreme good or supreme value. All lesser judgments are seen as contributing to or deriving from the supreme good. Negative value judgments, or judgments of badness or immorality, clash with or contradict the supreme good. Consequently, ethical behavior is that behavior which is consistent with the standard of value; unethical behavior works against it. Ethical theorists disagree over what the supreme good is. Kant argues that it is duty; Bentham says it is pleasure; Rawls thinks it is social justice--"justice as fairness." For Ayn Rand, the standard of moral value is man's life.

Life the Source of Values

As mentioned above, however, Rand does not begin by asking "What particular code of values should man accept?" She asks: "Does man need values at all--and why?" (Rand 1964a, p. 13). That is, what in reality gives rise to the idea of value or ethics? She begins by observing that a value is "that which one acts to gain and/or keep" (p. 15) and that the concept is not an irreducible primary; it presupposes two conditions: (1) a valuer, or beneficiary of the action, which means: an entity capable of acting to achieve a goal; and (2) action in the face of an alternative, which means: the kind of action taken to achieve a goal makes a difference to the entity that is acting, i.e., the action can result in success or failure.

Living organisms, Rand observes, are the only entities that meet these two conditions. Life, as a process of self-generated, self-sustaining action, is conditional, and living organisms face only one fundamental alternative: existence or non-existence, life or death. Inanimate matter, such as rocks, tables, and mountains, do not face this alternative; they may change their forms but they never go out of existence. Living organisms, on the other hand, must take specific actions if they are to remain alive, otherwise they will die. Consequently, life--as Ayn Rand was the first to identify--is the source in reality of values. "It is only the concept of 'Life' that makes the concept of 'Value' possible. It is only to a living entity that things can be good or evil" (1964a, pp. 15-16). Ayn Rand was the first to provide an objective defense of values--based on what to some may seem to be an obvious fact.

Life the Standard of Value

Thus, whatever is required for the maintenance of a specific organism's life is a value for that organism and, therefore, is good for it; whatever threatens or destroys it is bad or evil. In other words, the nature of what a specific organism is--the organism's life--determines what the organism ought to pursue, i.e., what is of value to it. Values, consequently, are objective--they are a special kind of fact. (Rand's ethics, consequently, is known in philosophy as a theory of ethical naturalism.)

Life, Rand concludes, is not just the source in reality of values but also the standard of value--the supreme good, ultimate value, or end in itself--for all living organisms. Plants, she observes, require food from the soil and sunlight in order to survive. Animals require locomotion to obtain the values they need for their survival; the higher animals that possess consciousness must use their perceptual faculties in order to guide their actions; and man, the highest animal of them all, possesses a conceptual faculty--reason--and, consequently, must use his reason if he is to survive. Thus, "A plant can obtain its food from the soil in which it grows. An animal has to hunt for it. Man has to produce it" (1964a, p. 18).

The Objective Necessity of Ethics. The fundamental difference in this context between man and the lower animals is that man has no automatic, pre-programmed code of values. Animals, in effect, have "wired-in" a means of automatic knowledge of what is good or bad for them. "An animal has no power to extend its knowledge or to evade it. In situations for which its knowledge is inadequate, it perishes. . ."

(1964a, p. 19). Man, however, must discover what is good for him and what is evil. The vegetative functions in man work automatically, as they do in plants and the lower animals. Man's senses automatically provide him with perceptual awareness of reality, but they will not tell him which of two species of mushroom is food and which is poison, or whether honesty is a virtue. This, man must discover through a process of reason or conceptualization. And he must initiate this process by choice.

"Man, the highest living species on this earth--the being whose consciousness has a limitless capacity for gaining knowledge--man is the only living entity born without any guarantee of remaining conscious at all. Man's particular distinction from all other living species is the fact that his consciousness is volitional" (1964a, pp. 19-20). The Objectivist theory of free will holds that man is free at any given waking moment to focus his mind on reality, by initiating a process of thought, or to evade reality, or to allow his mind to wander aimlessly and become susceptible to chance influences. A "volitional consciousness," in other words, is one that must choose to be conscious; man must choose to exercise his distinctive mental capacity--reason--in order to sustain his life.

Man, consequently, by failing to acquire the knowledge required for his life, can act as his own destroyer; animals cannot. Man can improve his life, by choosing to learn how to rearrange the elements of his environment for his own benefit, or he can destroy his life, by attempting to live at the perceptual level of animals. Animals, Rand points out, are often at the mercy of their environments, where, for example, they die when their automatic knowledge is insufficient to cope with such hazards as fires and floods. But the knowledge--the values--required for man's survival must be volitionally discovered and defined by man. This, Rand says, is why man needs a code of values to guide his choices and actions. This is why man needs ethics.

Man's Life the Standard of Moral Value. Man's life is the standard of moral value in the Objectivist ethics.

Since reason is man's basic means of survival, that which is proper to the life of a rational being is the good; that which negates, opposes or destroys it is the evil.

Since everything man needs has to be discovered by his own mind and produced by his own effort, the two essentials of the method of survival proper to a rational being are: thinking and productive work. (1964a, p. 23)

Human parasites either of the moocher or of the looter type can survive only by sucking the lifeblood out of those men who choose to think and produce. Such moochers and looters are the ones who attempt to live at the perceptual level of animals, living on the range of the moment, spending their time stalking prey. "Man has to be man by choice--and it is the task of ethics to teach him how to live like man" (1964a, p. 25).

Man's life is the standard of moral value, but each individual's life is his own moral purpose. The standard provides the abstract principle that guides the individual to select concrete values necessary for his own happiness. The three cardinal values of the Objectivist ethics are reason, purpose, and self-esteem; the corresponding virtues are rationality, productiveness, and pride.

Rationality is the source of all other virtues; it is "the recognition and acceptance of reason as one's only source of knowledge, one's only judge of values and one's only guide to action" (1964a, p. 25). Man's major vice, consequently, is the abandonment of reason, whether through lethargy or willful evasion. Productiveness is the virtue of applying reason to the acquisition of material values; material values are the means by which man's physical survival is maintained and enhanced, but their creation must be guided by reason. Productiveness--and wealth-creation--is the virtue that business people today exhibit superlatively, and are least appreciated for (see Rand 1983). Pride is the moral ambitiousness to "acquire the values of character that make [man's] life worth sustaining" (1964a, p. 27); it is the virtue of holding oneself as one's own highest value.

Egoism. Since life is an end in itself, and reason is an attribute of the individual, so also is every individual's life an end in itself, not a means to the ends of others. Rand emphatically rejects any form of altruism or code of self-sacrifice--sacrifice meaning the act of giving up a higher value for the sake of a lower value or a nonvalue. Each individual, as the beneficiary of his own actions, has the moral right to live for his own sake and his own happiness. (Rand's theory of rational egoism, which emphasizes the consequences or goals of action, is known in philosophy as a theory of teleological egoism.) Rational

egoism calls for the end of human sacrifices because no one has the right to sacrifice anyone to anyone, neither oneself to others, nor others to oneself.

Individual Rights. The means by which rational men deal with one another in a social setting, according to Rand, is through the principle of trade, "the only rational ethical principle for all human relationships, personal and social, private and public, spiritual and material. It is the principle of justice" (1964a, p. 31). All relationships between rational men result from voluntary agreement; all values acquired from others are traded via voluntary consent. Consequently, the basic political principle of the Objectivist ethics is that no one--man, society, or government--has the right to initiate physical force against anyone else; each individual has the moral right to his own life, the moral right to be free from the coercion of others to acquire the values and property he thinks are necessary to sustain and enhance his life--provided he does not initiate physical force against others in the process of acquiring these values and property. Rights, in other words, assert as a social principle that no man may be sacrificed to others nor may others be sacrificed to oneself. Rights, according to Rand, are moral principles derived from the nature of man, not privileges granted, and subject to withdrawal or regulation, by God or society; the source of individual rights is man's rational nature and that, Rand points out, is why they are "inalienable" (1964d).

Rights are violated, as Rand was the first to make explicit, only by initiating physical force against others, i.e., by bypassing the rational judgment and consent of the person who is being coerced. "To interpose the threat of physical destruction between a man and his perception of reality, is to negate and paralyze his means of survival; to force him to act against his own judgment, is like forcing him to act against his own sight" (Rand 1961, p. 134). Individual rights are the means by which the government is subordinated to morality, the means by which political power is taken out of the hands of the politicians. This is the intent and meaning of the original American system of government. The only legitimate use of physical force by the government, which operates as an agent or "night watchman" for the citizens' self-defense, is in retaliation and only against those who have initiated physical force (Rand 1964d).

In today's context, it must be mentioned that, according to Rand, the right to life applies only to actual human beings, not to potential ones, i.e., not to fetuses. Rand accuses the anti-abortionists of wanting to violate women's rights by turning them into breed animals. In addition, the right to life does not

apply to animals, who have no power of reason, or power to recognize rights. Animal rights advocates, true to their altruistic principles, would sacrifice man, and all of his achievements, upon the altar of animals, and some even upon the altar of inanimate matter.

Capitalism. The moral purpose of government, then, is the protection of individual rights, by using retaliatory force against those who initiate it. The only legitimate functions of government are the provision of a police, to protect men against internal criminals; a military, to protect men against foreign, criminal nations; and a system of law courts, to settle disputes among men according to objective law. This severely limited government defines a political and economic system of laissez-faire capitalism, a system in which business and government are completely separated--in the same way and for the same reasons that the church and government are now separated. Rights, productiveness and trade, and justice rule supreme; each person earns rewards for his successes and penalties for his failures. Capitalism, in other words, is the only moral social system possible because it is the one that acknowledges and protects the conditions of man's survival as a rational being: it recognizes individual rights by banning the initiation of physical force (Rand 1964f).

Application to Ethical Issues in Business

Many of the issues that fall under the rubric of business ethics today revolve around the virtue of honesty. Some of these issues are so simple as not to require serious discussion, such as whether it is moral for an employee to take home from the office a box of pencils for his own personal use, or whether a sales representative should stretch the truth by telling a client that his order is "on the truck" when in fact it is still in the warehouse, or whether the boss who does not want to talk to a particular customer should have his secretary lie for him by telling the customer that the boss is not in. Other issues are quite complex, often requiring additional discussion of political as well as economic theory in order properly to evaluate the situation. Five of these more complex issues will be discussed below, namely: bribery, trading with morally questionable countries, environmentalism, deceptive practices, and monopolistic practices.

Suffice it to say that Ayn Rand considers honesty to be a derivative of the virtue of rationality; it means "that one must never attempt to fake reality in any manner" (1964a, p. 26). Honesty, as with all of

her virtues, is not an unconditional, deontological "commandment" or duty. Honesty is conditional on the rational context of dealing with other men through voluntary cooperation. When force is initiated against an individual, however, all bets are off, or, as Rand puts it: "Force and mind are opposites; morality ends where a gun begins" (1961, p. 134). Whether it is a thief or the Internal Revenue Service who initiates the force, the individual has the moral right to lie his head off in self-defense; he has the moral right to use any retaliatory force necessary to subdue a violent attacker and to regain the values he has lost or was about to lose. (This last is not an advocacy of vigilantism. Further, Rand's statement that "morality ends where a gun begins" means only that morality cannot advise anyone when being coerced; Rand paid her income taxes because she did not want to go to jail, but not paying one's taxes would be equally moral, or, rather, outside the province of morality.)

The principle "morality ends where a gun begins" also applies to invasions of privacy, which often are indirect means of coercing information out of a person who has no obligation to so divulge the information. This applies to nosy mothers and other relatives ("What color is your roommate?"), nosy bosses ("Where were you at lunch today, a job interview?"), nosy customers ("Tell me honestly, now, how much will you really take for this product?"), and nosy competitors ("I hear you're about to launch a revolutionary new product, is that right?"). The victims of this snooping have no obligation whatsoever, according to the Objectivist ethics, to divulge their position to anyone who has no right to it--and the people in these examples have no right to the information they are requesting. The biggest and most threatening snoop of them all, of course, because it can, and does, initiate direct physical force against business people, is the government.

Understanding this issue should make it clear that business does not "bluff ethical," nor is business a game. Supposedly, according to Carr (1968), business people "bluff" when answering the question about the rock bottom price and, consequently, feign a moral stand. Further, business people supposedly lie to and deceive their competitors just as a poker player bluffs and deceives his playing partners; business, after all, asserts Carr, is just a poker game in which the rules allow some dishonesty. Carr's article has received much attention in business ethics discussions and textbooks (see Wokutch and Carson 1981, for example). This is unfortunate because his article is badly mixed, primarily because he does not distinguish the two

ethical theories underlying his analysis, namely Kantian altruism and utilitarianism, and, of course, he fails to consider another possible theory--Ayn Rand's.

As indicated above, moral business people do not "bluff ethical" when asked inappropriate questions; they pronounce moral judgment against the invaders of privacy, or they lie if silence could be construed as consent. And business is not a game because the goal of business is to excel at producing and marketing goods and services that meet the needs and wants of consumers, not to defeat the competition; competition is a by-product of production (Rand 1971, p. 4; see also Rand 1966b, Reisman 1968; cf. Mises 1966, pp. 273-279).

Preliminaries

Applying an abstract ethical theory (or any theory, for that matter) to concrete situations is a challenging and difficult task. It requires, first, a thorough understanding of the theory; second, a thorough grasp of the facts comprising the concrete situation to be analyzed; and finally, an ability that might be called "subsumption," the mental skill of sifting through the myriad detail of the situation and deciding which set of facts is united and explained by which principle of the theory. Application is, essentially, a skill in deductive reasoning, not unlike that of Sherlock Holmes, in which new concrete facts are assigned to, or subsumed under, a known generalization. It is the skill of identifying a particular fact as being an instance of a general principle.

The simplest example of this, perhaps, would be the diagnosis and cure of a disease by a doctor. A patient comes to the doctor with a number of symptoms. The doctor's task is to identify the underlying cause of the symptoms. To identify the nature of the disease in this one patient, the doctor must call upon his previously acquired, general knowledge of diseases. After reviewing the causes and symptoms of several known diseases, the doctor deduces that this particular case is an instance of, say, the measles; the doctor, in other words, applies his general knowledge about diseases to this one instance by subsuming it under the category "measles."

Dig for the Facts. The task of application, again, becomes quite challenging when attempting to apply broad principles to complex factual situations. The task today in business ethics is made even more

challenging when the facts themselves are difficult to ascertain, when, especially, certain political pressure groups have a vested interest in distorting or ignoring facts that are necessary for making sound ethical decisions. Sources of information, such as the press, that conflict with one another over just what the facts are do not help the analysis. Consequently, the first question to ask oneself, when applying ethical principles to a concrete business situation, must be: Do I have the facts? Have I dug deep enough to find all of the relevant facts? Many alleged ethical dilemmas and ethical conflicts in business today can indeed melt away, if the participants have all the relevant facts.

The Legal vs. the Moral. As should be apparent from Ayn Rand's theory of ethics, what is currently legal is not necessarily moral--e.g., interventionist regulation of business--and, further, what is immoral should not necessarily be made illegal--e.g., prostitution. Rand's basic political and legal principle is: Acts that initiate physical force must be banned; acts that result from the mutual consent of adults--whether moral or immoral--should be legal. Today's political and economic system, however, is not laissez-faire capitalism; it is a "mixed economy," a system that mixes freedom with controls. It mixes acts based on the mutual consent of adults with acts that initiate physical force.

Today, it is the government, in the form of laws and regulations, that initiates the physical force--under the basic political and legal principle: Acts (and products) that are intrinsically harmful must be regulated. But it will be shown below that, according to Rand's theory, this principle is false and all laws and regulations that initiate physical force must, on moral grounds, be repealed.

Untangling Bribery

Many of the issues that come up in business ethics can be discussed using a "pro" and "con" format based on the above two contrasting principles: "acts that initiate physical force must be banned" constitutes one side of the issue, whereas "acts that are intrinsically harmful must be regulated" constitutes the opposite. Bribery, however, is one issue in which both sides agree that the act is wrong, but disagree over the reasons and interpretation. The common view is that bribery is an intrinsically harmful act that must be regulated, whereas, according to Rand's ethics, bribery is an act that initiates physical force through

a basic dishonesty. The trouble with current discussions of bribery is that adherence to the facts is seldom practiced by the discussants. So, what are the facts?

First, the press and others who discuss the issue seem to have a penchant for failing to distinguish the metaphorical use of the term "bribery" from the literal. Giving candy to a crying child, for example, is said to be a bribe; so also is any payment by American businessmen to officials of foreign governments. The former, however, is metaphor; the latter may or may not be.

Second, no one bothers to provide the correct legal definition of the term "bribery." In law, a bribe is the covert undermining of a relationship of trust (Gifis 1984, p. 54); a payment, for example, given in secret to a purchasing agent in exchange for the agent's business is a basic dishonesty, because the salesman and agent together cheat the owner of the agent's business. Rand's theory of ethics would accept this legal definition and hold that the owner of the business could sue under civil law for damages, because physical force had been initiated against the owner--by cheating him out of money or higher quality products. (The salesman and agent also would be guilty of criminal fraud, under an objective definition of fraud.)

Third, other forms of payment made to others are seldom considered in today's discussions of bribery. For example, a perquisite is something "extra" that is expected or considered a normal part of one's job, such as a tip to a waiter or maître d'. Expensive luncheons, Christmas gifts, and company cars--if known and approved by the owner of the business--are perks, not bribes. I say "owner of the business" because if a salesman offers a payment to the owner of the business (i.e., a sole proprietor), then fundamentally the payment becomes a price concession or discount. The status of the persons being influenced and allegedly cheated is paramount in deciphering whether or not a bribe actually has occurred.

Fourth, the terms "grease payment" and "extortion" need also to be considered, especially when payments to government officials are made. This is because government intervention in the workings of a free-market economy always breeds corruption: regulation always violates the rights of some for the sake of others, which provides an incentive for those offended to go beyond the law to secure satisfaction. And unscrupulous bureaucrats are given the incentive to provide the satisfaction--for a price. This is why

socialist economies are shot through with corruption and black markets; indeed, the citizens of such economies would not survive were it not for the black markets (cf, Mises 1944).

Since bureaucrats are exempt from the market discipline that is imposed on private businesses, the less scrupulous ones among them find it lucrative to demand money under the table to "lubricate" the bureaucratic machinery, i.e., to get the bureaucrat to perform his normal duties. When bureaucrats are performing jobs that in a free economy would be performed by private businesses, they now, as representatives of the government, wield the power of physical force over any citizen who must deal with them. (Governments, of course, and their agents, hold the legal monopoly of the use of physical force.)

Hence, if government officials, such as those of the Japanese government in the 1970's, demand payments from the Lockheed Corporation in exchange for granting a contract, de facto extortion has occurred. Extortion is a form of robbery in which something is obtained through a threat of harm or future harm. Government officials hold the gun, private businessmen do not. Lockheed, according to Rand's ethics, should feel no guilt over making those payments--anymore than the victim of a mugging should feel guilt for having to give the mugger money in exchange for his life. The principle here, according to the Objectivist ethics, is "morality ends where a gun begins." At the point of the Japanese gun, Lockheed, in addition to the covert payments they did make, might have chosen to refuse payment and then go into receivership, or it might have chosen to make the covert payments and then expose the corruption in the U. S. press. Any of these options would have been moral according to Rand's ethics. (The one thing in the Lockheed affair that Rand's ethics would emphatically denounce is Lockheed's attempt to defend itself on utilitarian grounds; see Kotchian 1977.)

Thus, bribery is not a simple payment of money; it is a complex concept that applies only in a carefully defined context, and facts are the crucial elements that define the context. (The above discussion of bribery, I should point out, is my own application of the Objectivist ethics to the issue; Rand never discussed bribery.)

Trading with Morally Questionable Countries

Current wisdom holds that it is moral to trade with such countries as Russia and China, but immoral to trade with South Africa. Ayn Rand's ethics leads to the opposite conclusion. Rand's principle is that it is not moral to trade with a dictatorship, whether of the socialist or fascist variety, because dictatorships are outlaw nations and trading with such a country would be the equivalent of aiding and abetting a criminal. But the question of fact is: What is a dictatorship and which countries fit that definition?

A dictatorship, holds Rand, has four characteristics: "one party rule--executions without trial or with a mock trial, for political offenses--the nationalization or expropriation of private property--and censorship" (1964e, p. 105). China certainly fits this definition; Russia, glasnost and perestroika notwithstanding, still does, for the most part. South Africa does not. South Africa has, and has always had, multi-party rule; it does not execute for political offenses (Nelson Mandela was jailed, not executed, for acts of terrorism, not the advocacy of communism); it has private property and a thriving market economy, albeit hampered by considerable regulation--it is a mixed economy; and it has minimal censorship. South Africa, indeed, is the freest, most prosperous country in all of Africa.

It does have serious racial problems, and historically it has had severe codes of racial discrimination. These codes of racial discrimination, however, were supported and established in the 1920's by the socialist labor party to quell the rising black middle class that was being brought into existence by the then free-market elements of the country (Williams 1987, pp. 175-178). But, keeping to the facts, these codes are racial discrimination against the blacks and coloreds, not slavery--every person today living in the the People's Republic of China is a slave. "The man who produces while others dispose of his product, is a slave," says Rand (1964c, p. 94). Trading with a country like China, she might add, is the equivalent of trading with the commandant and guards of a concentration camp, which in fact is what China amounts to today; occasionally, a few crumbs are thrown to the inmates.

South Africa is a mixed economy, as are most of the other semi-free countries of the world, including the United States. If mixed economies violate the rights of some for the sake of others, how can it be moral to trade even with these mixed economies? Rand's answer is that these mixed economies openly recognize the principle of individual rights, but fail to implement it consistently in practice. Russia

and China, however, have never accepted the principle of individual rights; they openly denounce it. For these reasons, according to Rand, one cannot trade with such countries and remain moral, anymore than one can remain moral by trading with a known criminal. (For more detail on the Objectivist position on South Africa, see Schwartz 1986.)

Environmentalism

There is no better illustration of the principle "acts that are intrinsically harmful must be regulated" than in the issue of environmentalism. The environmental movement is the ultimate expression and consequence of altruism, because it places intrinsic value on nature at the expense of man. Man, according to the environmentalists, is the villain who is destroying this intrinsically-valued nature. Consequently, man's activities must be curtailed; man must sacrifice his comfort-producing material values for the sake of snail darters and redwood trees. Science, technology, progress, and all the other values of Western Civilization, especially capitalism, say the environmentalists, have hit dead end. Man, now, if he is to survive, must learn how to live in concert with nature.

This is not a caricature of the environmental movement. As the Vietnam War was winding down twenty years ago, the leaders of the environmental movement were stating their goals explicitly as attacks on reason, individualism, competition, science, and technology ("The Next Decade" 1969; "The Ravaged Environment" 1970). Today, the leaders are even more explicit--and irrational--valuing "wildness for its own sake" and openly hoping for a virus to come along to rid the earth of perhaps a billion men. Environmentalists, says one writer, "are not interested in the utility of a particular species or free-flowing river, or ecosystem, to mankind. They [the species, river, or ecosystem] have intrinsic value, more value--to me--than another human body, or a billion of them. . . .Until such time as Homo sapiens should decide to rejoin nature, some of us can only hope for the right virus to come along." Man, this writer asserts, is not a part of nature, but a cancer and "plague upon ourselves and upon the Earth" (Graber 1989).

Aside from the fact that man's life expectancy continues to increase year after year despite the alleged decline in the quality of life due to alleged environmental plagues; aside from the fact that the automobile has reduced pollution--and disease--from horse manure, urine stains and stench that would not

go away, and decaying horse carcasses; and aside from the fact that the industrial revolution and capitalism in Western cultures have wiped out the pre-capitalistic pollutions of pestilence, often caused by open raw-sewage ditches, and famine; according to Ayn Rand, there is no such thing as intrinsic value. Nature does not have intrinsic value, nor does man.

Values, for Ayn Rand, are objective, not intrinsic (or subjective). The objective theory of value "holds that the good is neither an attribute of 'things in themselves' [the intrinsic theory] nor of man's emotional states [the subjective theory], but an evaluation of the facts of reality by man's consciousness according to a rational standard of value. (Rational, in this context, means: derived from the facts of reality and validated by a process of reason.) The objective theory holds that the good is an aspect of reality in relation to man--and that it must be discovered, not invented, by man" (1966a, p. 22, emphasis in original). The objective theory of value always keeps in mind the questions: of value to whom? and for what purpose? According to the Objectivist ethics, man ought always to be the beneficiary of his own actions, not snail darters and kangaroo rats.

Objects of nature, consequently, have no value at all when man has no relationship to them. Iron ore, when lying buried in the ground, is worthless until man mines it and turns it into steel. Indeed, trees in parts of nineteenth century America were hostile obstacles to man's survival--that is, until they were removed to allow for farming. Most of nature, when left to its own devices, is hostile to man's well-being. But it is man's unique achievement, through reason, to be able to tame the hostility of nature and to adjust his environment to his own benefit. In fact, all capitalist production is an act of rearranging the elements of the environment for the benefit of man. And there are no shortages of natural resources, as the environmentalists so falsely proclaim, only a shortage of the political freedom that science and technology need in order to pursue the resources (Reisman 1979, pp. 15-20).

The environmentalists, Rand states, would reduce us all to the level of jungle animals that must compete with one another in a survival of the fittest contest for a fixed amount of food; man, however, especially over the last two hundred years under the influence of Western culture, has risen well above the wars of the jungle to provide us all not just with abundant food but with enormous varieties, quantities, and qualities of material values to increase our "quality of life" (Rand 1975).

It should be pointed out that the principle "acts (or products) that are intrinsically harmful must be regulated" is a prescription for dictatorship. If something is intrinsically wrong, why should not force be used to correct the wrong? This, in essence, is the justification for the regulation of business that we now have in mixed economies, but the principle can easily be seen to operate in socialist dictatorships. If we modify the principle to read "Jews who are intrinsically harmful . . . ," we can see how the Nazis justified their atrocities (cf. Peikoff 1982). And if we modify the principle to read "ideas that are intrinsically harmful . . . ," we can see how easily censorship can be justified.

The concept of intrinsic value must ultimately result in violence because there is no rational way to justify why some acts or objects have intrinsic value and others do not; something is valuable, it is alleged, because it is good "in, by, and of itself," not because it is good for someone or for some purpose. It takes the special "intuition" or "insight" of a Saint--or Führer--to know which act or object possesses the intrinsic value. This is where the conflict arises--because Saints and Führers disagree over which objects have intrinsic value. Ultimately, force is the only solution to settle the dispute. (Zealots and terrorists, of course, are all advocates of the intrinsic theory of value.) It is this whole pseudo-debate over which objects have the intrinsic value that Rand's theory cuts off at its roots.

Objective values are values freely chosen by man--by individual men, each according to their own needs and context. It is capitalism and the free market, according to Rand, that makes this free choice possible. Indeed, a product's economic value under capitalism is neither subjective, as many economists today maintain, nor is it intrinsic; it is what Rand calls "socially objective value." For more detail on this and the whole issue of the intrinsic-subjective false alternative, see Rand (1966a, pp. 21-27).

In addition to this "intrinsic value of nature" argument, environmentalists also use the "argument from uncertainty." It runs as follows: "how do you know we won't discover in the future that some allegedly safe chemical causes cancer or pollution? We can't take the risk; it's better to be safe than sorry. So, we have regulate or ban it." Aside from the factual question of the causal connection between chemicals, cancer, and pollution, this argument asks the scientist to prove a negative, which is the logical fallacy argumentum ad ignorantiam (Ruby 1960, p. 141). It is impossible to prove a negative and no one, in reason, is obliged to do so. If there is no evidence even for the possibility of something, then we have

every logical right to assume that the something does not exist. This argument has the same epistemological status as the assertion "it is possible that gremlins exist"--that is, it is utterly arbitrary and not worthy of further consideration by rational people (Peikoff 1981; see also Rand 1988a).

Other Issues in Business Ethics

The brevity with which the following issues are discussed does not mean that they are minor issues in business ethics or that they require minimal analysis. Space prevents a detailed analysis. For that matter, the analysis of the above three issues could be continued at some length. The application of broad principles to concrete situations requires a great deal of context-setting before the proper principles can be applied. Nevertheless, here is a brief analysis of two additional issues in business ethics indicating how Ayn Rand's theory of rational egoism might apply.

Deceptive Practices. Deception, of course, is dishonesty and Rand's ethics opposes it in the pursuit of a value. And deceptive sales and advertising practices--if they are truly deceptive--would be immoral, according to the Objectivist ethics. The question is, are they truly--factually--misleading and deceptive? One fact apropos of this issue is that the so-called social criticisms of advertising are laden with philosophic, economic, and psychological principles with which Objectivism disagrees. For an application of the Objectivist ethics to a discussion of the "social" criticisms of advertising, see Kirkpatrick (1986).

Are the statements of salesmen and advertisers any more misleading and deceptive than the headlines of newspaper articles that do not accurately describe the articles' content? Are they more misleading than the statements of many politicians, teachers, and parents? These questions are asked, not to justify misleading or deceptive statements, but to keep a perspective on the much-maligned field of marketing; salesmen and advertisers do not hold a monopoly on the practice of making misleading statements. Indeed, it is the egoistic, profit-motivated nature of marketing that, according to Ayn Rand's ethics, deserves praise, not harassment and condemnation. It is the ethics of altruism, and today's widespread hostility to capitalism and capitalistic activities, that generates and supports the many attacks made on salesmanship and advertising.

According to Rand's ethics, the only relevant political issue here, concerning deceptive practices, is that fraud--the indirect initiation of physical force--must be banned from human relationships. For fraud to occur--fraud, in the common law sense of the term--several stringent conditions must be met; there must be: a statement of a false material fact by the deceiver, reliance upon the truth of the statement by the victim, intent by the deceiver that the statement will be relied upon, and objective injury or damages to the victim (Gifis 1984, pp. 194-195). Mere sophistry, in other words, is not fraud. Without these stringent conditions, freedom of speech would indeed be vulnerable. Censorship, it must be pointed out, is always a government action to restrict the flow of information within society, never a private action. And falsely yelling "fire" in a crowded theater is not an expression of free speech--it is criminal assault. For more on this, see Rand (1964d; 1966d).

Big Business and Monopoly. Big business, according to Rand, does not rule America, but big government does, and nothing could be more unethical than the allegedly pro-competition, anti-monopoly laws called Antitrust. The Antitrust laws were passed because of the so-called market failures of capitalism that allowed the formation and growth of giant trusts, cartels, and monopolies. But the proper meaning of "monopoly" is "government-granted privilege" (Reisman 1979, pp. 74-76, 95-98); and, historically, all of the harmful effects normally associated with the term "monopoly" have been caused by government intervention into the operation of a free-market economy, i.e., by a privilege granted by the government to some private businesses (Rand 1966c)--which means: the government has initiated physical force against some people, violating their rights, in order to grant privileges to others.

The Antitrust laws do not acknowledge these historical facts or the proper definition of monopoly. Further, they obliterate the distinction between political power, which is the power of the government's guns, and economic power, the power of a business to satisfy the needs and wants of consumers (cf. Folsom's distinction between political and market entrepreneurs, 1987), and charge big businesses de facto with political power (whether or not the businesses in question were acting under the influence of any government-granted privileges). Further, the Antitrust laws themselves are so confused and contradictory and applied so arbitrarily that businesses today can (and are) charged with anything and everything; the Antitrust laws, according to Ayn Rand, amount to ex post facto law that, she points out, is not supposed to

exist in a free country and only applies in the United States to businessmen. For this reason, she calls big business "America's Persecuted Minority" (1966b; see also Rand 1988d, Greenspan 1966).

The Antitrust laws apply not just to big businesses in general, but also to many specific business practices--such as advertising. The so-called economic criticisms of advertising charge advertising with monopoly power, which therefore must be regulated. As with the "social" criticisms of advertising, the "economic" criticisms are laden with philosophic and economic principles with which Objectivism does not agree. For a defense of advertising against the charges of monopoly power, based primarily on the writing of the "Austrian" school of economists but also on some of Rand's philosophical principles, see Kirkpatrick (1991).

Conclusion - "Peace In Our Time"

There are, of course, other issues in business ethics that I have not discussed, and new ones will arise in the future as fashions change. The concretes of the moment do not determine what is right and wrong; only a theory can illuminate the specific facts of any given business situation. It is ethical principles that give understanding to business people when they are confronted with the many complex situations in which ethical decisions must be made; it is ethical principles that give guidance to these same people when they must decide what to do. The premise of this paper is that Ayn Rand's theory of rational egoism is the system of ethical principles that can provide the best understanding and guidance in business situations--because her theory is based on the facts, the nature of man and the nature of reality. The application of her principles without compromise should lead one to happiness or, at least, lead the way to happiness.

This last brings to light one final application of the Objectivist ethics to business that must be mentioned. To compromise one's principles even a little, according to Ayn Rand, is to give up one's principles entirely and to accept the opposite principles. After all, she asks, who stands to gain from a compromise? "In any compromise between food and poison, it is only death that can win. In any compromise between good and evil, it is only evil that can profit. In that transfusion of blood which drains the good to feed the evil, the compromiser is the transmitting rubber tube. . . ." (1961, p. 173; see also Rand 1964b, 1966e; and Peikoff 1989). The compromiser, according to Rand, thus grants to evil what it needs

and desires the most: "the sanction of the victim" (Rand 1961, p. 165; 1988b; 1988c). The most vivid historical example of compromise--and of the horrible consequences that follow--is Neville Chamberlain's sacrifice of the principle of national sovereignty for Czechoslovakia to Hitler's principle of armed aggression.

If there is one thing that business people today have a penchant for, it is the compromise of moral principles. Or, to be more specific, business people are experts at appeasement and apology. When companies run full-page advertisements talking about the "social benefits" of their products and their "low" profits, or, lately, how environmentally "green" their products are, they are trying to make peace with their enemies, as Chamberlain attempted, and they are apologizing for doing what business must do by its nature, i.e., make profits.

Such behavior, however, is doomed to failure, because it gives the critics the moral high ground. It makes business look like it is taking something out of the public till, which the critics, especially the Marxists, have been saying for decades. It grants the premise that business has done something wrong and ought to be apologizing for it. The critics, after all, are advocates of altruism and socialism (the former implies the latter) and appeasement and apology are the worst acts a business person could commit--such compromises give the critics the admissions of "intrinsic harm" they are looking for; now, they say, that you have admitted to committing intrinsic harm, we must pass new regulations to control your harmful, selfish behavior.

But the proper response to the critics is: "Yes, we pursue egoistic profits, and large ones at that. We market products that meet the egoistic needs and wants of consumers, and we expect to be paid for the effort. We have earned our profits and are proud of every penny--we are not about to apologize for anything that free-market businesses do. We are the ones who are moral, acting in the only human way possible. If you have any rational arguments, demonstrating that our actions are harmful to man's life as a rational being, then bring them forth; otherwise, kindly take your coercive hands off our businesses." Rand's principle here is not "Judge not, lest ye be judged," but: "Judge, and be prepared to be judged" (Rand 1964c).

Such a response would give business the moral high ground and the critics would be on the defensive. The only way, however, ultimately to fend off the many criticisms of business is to acquire a thorough understanding--a thorough internalization--of the theory of ethics that says it is good and moral to pursue selfishly motivated profits. The reason business people today cannot speak up to defend themselves is that they have internalized the ethical theory of altruism--which is incompatible with capitalism. Altruism paralyzes business people when they are confronted with charges of pursuing "selfish profits," which according to altruism is evil, and it drives them to a policy of appeasement (Rand 1988b).

To fight these attacks, business people must acquire the conviction that the pursuit of selfish profits is morally right. As Ayn Rand puts it:

In spite of all their irrationalities, inconsistencies, hypocrisies and evasions, the majority of men will not act, in major issues, without a sense of being morally right and will not oppose the morality they have accepted. They will break it, they will cheat on it, but they will not oppose it; and when they break it, they take the blame on themselves. The power of morality is the greatest of all intellectual powers--and mankind's tragedy lies in the fact that the vicious moral code men have accepted [altruism] destroys them by means of the best within them (1982, p. 81).

Business people must recognize that the attacks on business are attacks on their virtues--on their productiveness and on the pride that follows every achievement. The conviction of being "morally right" can only be acquired by a thorough understanding and application to business issues of Ayn Rand's theory of rational egoism, the Objectivist ethics. Only then will "peace in our time" for business people be achieved.

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